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MEMORANDUM

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FROM: Steven M. Olea
Director
Utilities Division

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Arizona Corporation Commission

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AZ CORP COMMISSION
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DATE: December 22, 2011

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RE: **STAFF'S 2011 COMPLIANCE REPORT FOR GOLD CANYON SEWER COMPANY, DOCKET NO. SW-02519A-06-0015 (RATES) AND DECISION NO. 69664**

INTRODUCTION

On June 28, 2007, the Commission issued Decision No. 69664 granting a rate increase to Gold Canyon Sewer Company ("Company"). Pursuant to that Decision, Staff was ordered to "conduct annual odor detection site visits and provide a report in this docket by December 31 of each year, as a compliance measure, with the first report to be filed by no later than December 31, 2007." This memorandum is Staff's 2011 compliance report.

COMPLIANCE REPORTS

Staff's Report

Staff conducted four unannounced site visits during 2011 on the following dates; March 18, June 2, September 16, and December 13. All the site visits were conducted by Marlin Scott, Jr., Staff Engineer. During all the visits, Staff toured the wastewater treatment plant ("WWTP"), the MountainBrook Village Subdivision east of the WWTP, and the commercial area west of the WWTP; i.e., Bashas area. During all these site visits, Staff did not detect any odors.

ADEQ's Report

Annual Compliance Inspection

According to the Company, the Arizona Department of Environmental Quality ("ADEQ") did not conduct its annual compliance inspection for the year 2011. The last ADEQ inspection report was in April 2009, which was attached to Staff's 2009 Compliance Report. Due to this inspection gap, Staff was informed during its visit that the Company had requested an ADEQ inspection for 2012.

Notice of Violation

As stated in Staff's 2010 compliance report, the 2009 ADEQ Annual Compliance Inspection indicated that ADEQ issued a Notice of Violation ("NOV"), under prior enforcement actions in Case No. 94639, on May 16, 2008 for the exceedance of the aquifer quality levels ("AQLs") for total nitrogen in the point of compliance ("POC") well. The exceedances ranged from 13 – 18 mg/L, with the maximum AQL set at 10 mg/L. As a result of the NOV, on November 6, 2008, the Company has submitted an amendment to its Aquifer Protection Permit ("APP") to adjust the AQLs for possible upgradient influence of high nitrates. The NOV was to remain open until the APP amendment has been completed.

According to the Company, the review/approval of the APP amendment is in the final stage. Staff requests that once the Company has received the NOV closure letter and/or the approved APP amendment, a copy should be sent to Staff. In addition, once the Company has received the 2012 ADEQ Annual Compliance Inspection, Staff requests a copy of this report.

SMO:MSJ:red

Originator: Marlin Scott, Jr.

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Docket No. SW-02519A-06-0015

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